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REPORT OF THE PROGRAMME AND BUDGET COMMITTEE ON THE WORK OF ITS FOURTEENTH SESSION

(9-10 September 1998)

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Introduction

1. The Programme and Budget Committee held its fourteenth session at UNIDO Headquarters, Vienna International Centre, from 9 to 10 September 1998. All 27 members of the Committee participated in the session: Argentina, Brazil, China, Côte d'Ivoire, Denmark, Ecuador, Egypt, France, Germany, Iran (Islamic Republic of), Italy, Japan, Mexico, Netherlands, Nigeria, Pakistan, Poland, Russian Federation, Rwanda, Saudi Arabia, Slovakia, Sri Lanka, Sudan, Switzerland, Tunisia, Turkey and United Kingdom of Great Britain and Northern Ireland.

2. The following 60 Members of UNIDO also attended the session: Algeria, Angola, Armenia, Austria, Azerbaijan, Belarus, Belgium, Bolivia, Bosnia and Herzegovina, Bulgaria, Chile, Colombia, Costa Rica, Croatia, Cuba, Czech Republic, Ethiopia, Finland, Georgia, Greece, Guatemala, Hungary, India, Indonesia, Ireland, Israel, Jordan, Kenya, Kuwait, Lebanon, Lesotho, Liberia, Libyan Arab Jamahiriya, Luxembourg, Malaysia, Morocco, Mozambique, New Zealand, Norway, Oman, Panama, Paraguay, Peru, Philippines, Portugal, Qatar, Republic of Korea, Republic of Moldova, Romania, Slovenia, Spain, Sweden, Thailand, Ukraine, United Arab Emirates, Uruguay, Uzbekistan, Venezuela, Viet Nam and Yemen.

3. The United Nations Office at Vienna, United Nations Educational, Scientific and Cultural Organization, European Commission, International Institute of Refrigeration, International Organization for Migration and League of Arab States were represented.

4. In accordance with rule 17 of its rules of procedure, the Committee elected by acclamation Mr. S. Umer (Pakistan) as Chairman; Ms. B. Quincy (France), Mr. B. Figueroa Fischer (Mexico) and Mrs. D. Rozgonova (Slovakia) as Vice-Chairmen; and Mr. H. Sorour (Egypt) as Rapporteur.

5. The agenda for the fourteenth session as adopted by the Committee is contained in document PBC.14/1. Following the adoption of the agenda, the Director-General made an introductory statement that was duly taken into account by the Committee in the consideration of the relevant agenda items.

6. The report of the Programme and Budget Committee is submitted to the Industrial Development Board in accordance with Article 10.4 (d) of the Constitution.

7. The report contains the conclusions reached by the Committee. The annex to the present report contains a list of documents submitted to the Committee at its current session.

8. The following conclusions of the Committee contain recommendations that call for action by the Board at its twentieth session or are of relevance to the work of that session:

Conclusion	Subject
98/3	Financial situation of UNIDO: Unutilized balances from the 1992-1993 biennium
98/4	Programme and budgets, 1998-1999
98/5	Financial regulations
98/6	Industrial Development Fund and other voluntary contributions
98/7	Medium-term programme framework, 2000-2003

I. ORGANIZATIONAL MATTERS

9. On 9 September, the Committee considered a proposal by the Chairman to optimize the *utilization of available conference-servicing resources* and adopted the following conclusion:

Conclusion 98/1 UTILIZATION OF AVAILABLE CONFERENCE-SERVICING RESOURCES

The Committee, with the aim of utilizing the available conference-servicing resources to the maximum extent possible, decided to suspend with immediate effect rule 24 of its rules of procedure relating to the quorum, for the meetings of its fourteenth session only, provided no substantive decisions were taken at those meetings.

10. The Committee also decided to set up informal in-session consultations with the aim of facilitating the drafting of conclusions and entrusted Ms. B. Quincy (France) (Vice-Chairman) to chair those consultations.

II. REPORT OF THE EXTERNAL AUDITOR, FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT FOR THE BIENNIUM 1996-1997 (item 4)

11. On 9 September, the Committee considered the report of the External Auditor on the accounts of the United Nations Industrial Development Organization and of the Industrial Development Fund for the financial period 1996-1997 ended 31 December 1997 (PBC.14/3), the comments of the Director-General on the report of the External Auditor (PBC.14/9), the financial performance report submitted by the Director-General for the biennium 1996-1997 (PBC.14/4), the Annual Report of UNIDO 1997 (including the programme performance report) (PBC.14/10, Add.1 and Add.2), a note submitted by the Secretariat on audit-related matters (PBC.14/5) and a

conference room paper on common auditing standards of the Panel of External Auditors of the United Nations, the Specialized Agencies and the International Atomic Energy Agency (PBC.14/CRP.2).

12. On 10 September, after consideration of a draft conclusion on the *Report of the External Auditor, financial performance report and programme performance report for the biennium 1996-1997*, submitted by the Chairman (PBC.14/L.6), the Committee adopted the following conclusion:

Conclusion 98/2 REPORT OF THE EXTERNAL AUDITOR, FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT FOR THE BIENNIUM 1996-1997

The Programme and Budget Committee:

(a) Took note of the report of the External Auditor on the accounts of the United Nations Industrial Development Organization and of the Industrial Development Fund for the fiscal period 1996-1997 ended 31 December 1997 as contained in document IDB.20/3-PBC.14/3, as well as the comments of the Director-General on that report (IDB.20/10-PBC.14/9) and the financial performance report for the biennium 1996-1997 (IDB.20/5-PBC.14/4);

(b) Reiterated its recognition of the contribution of the External Auditor to the financial management of UNIDO;

(c) Expressed its gratitude to the External Auditor for her valuable report for the fiscal period 1996-1997.

III. FINANCIAL SITUATION OF UNIDO (item 5); PROGRAMME AND BUDGETS, 1998-1999 (item 6); FINANCIAL REGULATIONS (item 7); INDUSTRIAL DEVELOPMENT FUND AND OTHER VOLUNTARY CONTRIBUTIONS (item 9)

13. On 9 and 10 September, the Committee considered, under item 5, a report by the Director-General on the financial situation of UNIDO, including progress achieved in the settlement of arrears and in the timely payment of assessed contributions (PBC.14/7), a report by the Director-General on the 1992-1993 unutilized balances (PBC.14/11), and a conference room paper on the financial situation (PBC.14/CRP.4); under item 6 it considered proposed adjustments to the programme and budgets, 1998-1999, submitted by the Director-General (PBC.14/6); it considered under item 7 a note by the Secretariat on the annex to the financial regulations (PBC.14/5), as well as a conference room paper containing the Financial Regulations of UNIDO (PBC.14/CRP.1); and under item 9 the Committee considered a report by the Director-General on the Industrial Development Fund, containing the estimated resource level and programme for 1999-2000 (PBC.14/2), information on the nature of projects financed from the Industrial Development Fund, contained in the Annual Report of UNIDO 1997 (PBC.14/10/Add.1, appendix C), information on the nature of projects financed from third party and a conference room paper containing self-financed trust funds, contained in the Annual Report of UNIDO 1997 (PBC.14/10/Add.1, appendix D) and a conference room paper containing lists of projects approved under the Industrial Development Fund in 1997 (PBC.14/CRP.3).

14. On 10 September, after consideration of a draft conclusion on the 1992-1993 unutilized balances submitted by the Chairman (PBC.14/L.4), the Committee adopted the following conclusion:

Conclusion 98/3 FINANCIAL SITUATION OF UNIDO: UNUTILIZED BALANCES FROM THE 1992-1993 BIENNIUM

The Committee recommended to the Industrial Development Board the adoption of the following draft decision:

"The Industrial Development Board:

"(a) Recalls General Conference decision GC.7/Dec.17 concerning the staff separation programme;

"(b) Takes note of document IDB.20/11-PBC.14/11 providing information on the unutilized balances (cash surplus) from the 1992-1993 biennium;

"(c) Agrees with the position of the Director-General as contained in document IDB.20/11-PBC.14/11, para. 4, that the level of late paid 1994-1995 assessed contributions and voluntary contributions or advances of Member States were not sufficient to finance the staff separation programme as requested in decision GC.7/Dec.17;

"(d) Recommends to the General Conference that it formalize retention by the Director-General of $1,194,924 of the unutilized balances for 1992-1993 to partially finance the staff separation programme and to this effect suspend financial regulation 4.2 (c) with regard to the before-mentioned sum until the eighth session of the General Conference."

15. On 10 September, after consideration of a draft conclusion on the *programme and budgets, 1998-1999*, submitted by the Chairman (PBC.14/L.5), the Committee

adopted, with an amendment proposed by the delegation of Japan, the following conclusion:

Conclusion 98/4 PROGRAMME AND BUDGETS, 1998-1999

The Programme and Budget Committee:

(a) Recommended to the Industrial Development Board the adoption of the following draft decision:

"The Industrial Development Board:

"(i) Endorses the adjustments to the programme and budgets for 1998-1999 outlined in paragraphs 13 to 21 of document IDB.20/7, within the context of General Conference decision GC.7/Dec.16, paragraph (e);

"(ii) Takes note of the information provided in the programme and budget document (GC.7/21), indicating that a reallocation of budgetary resources would be required in the event that UNIDO continues to maintain responsibility for Buildings Management;

"(iii) Also takes note of the inclusion in document GC.7/21 of information on the essential requirements programme for the VIC, for which no budgetary resources were provided;

"(iv) Requests the Director-General, in accordance with financial regulation 3.9:

"a. To submit for approval by the eighth session of the General Conference the necessary supplementary estimates for the current fiscal period for the measures relating to Buildings Management and VIC essential requirements while being implemented in the 1998-1999 biennium, as referred to in paragraphs 22 to 34 of document IDB.20/7;

"b. To submit the above estimates relating to Buildings Management and VIC essential requirements in an amount not to exceed $19.6 million, as presented in table 1 of document IDB.20/7;

"(v) Takes note of the assurance of the Director-General that, due to existing cost-sharing arrangements with the VIC-based organizations, the measures in paragraphs 22 to 34 in document IDB.20/7, will not result in an additional financial burden for Member States of UNIDO."

(b) Encouraged the Director-General, while implementing the present decision, to continue his consultations with the other VIC-based organizations in order to find a final solution to the issue of Buildings Management and the G-77 Vienna chapter office, and to present concrete proposals to the Board at its twenty-first session.

16. On 10 September, after consideration of a draft conclusion on the *financial regulations* submitted by the Chairman (PBC.14/L.2) the Committee adopted the following conclusion:

Conclusion 98/5 FINANCIAL REGULATIONS

The Programme and Budget Committee:

(a) Took note of the financial regulations as amended by the General Conference (PBC.14/CRP.1);

(b) Took note of the information on audit-related matters provided by the External Auditor and contained in document PBC.14/5-IDB.20/6;

(c) Encouraged the intersessional working group on proposed amendments to the financial regulations to resume its work as soon as possible and to present concrete proposals regarding the financial regulations, including financial regulations 4.2(b), 4.2(c), 4.3(c) and 5.2(d);

(d) Requested the intersessional working group to take into consideration the proposal of the Panel of External Auditors for paragraph 5 of the annex to the financial regulations, as contained in annex I to document PBC.14/5-IDB.20/6;

(e) Recommended to the Industrial Development Board the adoption of the following draft decision:

"The Industrial Development Board recommends that the General Conference take note of the information provided at the request of the External Auditor in document IDB.20/6-PBC.14/5 on audit-related matters."

17. On 10 September, after consideration of a draft conclusion on the *Industrial Development Fund and other*

voluntary contributions submitted by the Chairman (PBC.14/L.3), the Committee adopted the following conclusion:

Conclusion 98/6 INDUSTRIAL DEVELOPMENT FUND AND OTHER VOLUNTARY CONTRIBUTIONS

The Committee recommended to the Industrial Development Board the adoption of the following draft decision:

"The Industrial Development Board:

"(a) Takes note of the information contained in document IDB.20/4-PBC.14/2;

"(b) Decides to delegate to the Director-General the authority to approve projects for financing under the Industrial Development Fund in 1999 and 2000 in accordance with the information contained in chapter I of that document;

"(c) Encourages Member States and other donors to increase their voluntary contributions to UNIDO and specifically the Industrial Development Fund;

"(d) Also encourages donors to consider contributing programmable funds, specifically to enable UNIDO to implement the new products referred to in chapter II of document IDB.20/4-PBC.14/2;

"(e) Further encourages Member States to enable UNIDO to access funds from bilateral sources;

"(f) Encourages Governments of recipient countries to play a more active role in sharing with UNIDO the responsibility to mobilize funds for jointly-identified high-priority products from sources available to them."

IV. MEDIUM-TERM PROGRAMME FRAMEWORK, 2000-2003 (item 8)

18. On 9 and 10 September, the Committee considered the proposals of the Director-General contained in the preview of the medium-term programme framework, 2000-2003, and a preliminary indicative general ceiling for the programme and budgets, 2000-2001 (PBC.14/8).

19. On 10 September, after consideration of a draft conclusion on the *medium-term programme framework, 2000-2003*, submitted by the Chairman (PBC.14/L.7), the Committee adopted the following conclusion:

Conclusion 98/7 MEDIUM-TERM PROGRAMME FRAMEWORK, 2000-2003

The Committee recommended to the Industrial Development Board the adoption of the following draft decision:

"The Industrial Development Board:

"(a) Recalls General Conference decisions GC.7/Dec.15, paragraph (g) and GC.7/Dec.16, paragraph (f);

"(b) Takes note of document IDB.20/9-PBC.14/8 entitled medium-term programme framework, 2000-2003;

"(c) Requests the Director-General to submit to the Programme and Budget Committee, at its fifteenth session, a revised medium-term programme framework, 2000-2003, taking into account the general orientation contained in document IDB.20/9-PBC.14/8 and the comments made by Member States during the fourteenth session of the Programme and Budget Committee and the twentieth session of the Industrial Development Board."

V. DATE OF THE FIFTEENTH SESSION (item 10)

20. On 10 September, the Committee adopted the following conclusion:

Conclusion 98/8 DATE OF THE FIFTEENTH SESSION

The Programme and Budget Committee decided to hold its fifteenth session from 19 to 23 April 1999.

VI. ADOPTION OF THE REPORT AND CLOSURE OF THE FOURTEENTH SESSION (items 11 and 12)

21. On 10 September, the Committee adopted the draft report of its fourteenth session (PBC.14/L.1) on the understanding that the Rapporteur would be entrusted with the task of finalizing the report.

22. The Committee closed its fourteenth session at 5.05 p.m. on 10 September 1998.

Annex I

STATEMENTS BY DELEGATIONS

1. The present annex contains statements connected with the adoption of conclusions of the Programme and Budget Committee; these statements have been included at the request of the delegations concerned and agreed to by the Chairman.

Financial situation of UNIDO (item 5)

2. The delegation of **Denmark** said that it agreed with the draft conclusion on the clear understanding that, if necessary, the suspension of financial regulation 4.2(c) should be prolonged until the cash reserve levels were restored. The delegation said that late payment or lack of payment of assessed contributions were to be blamed for the current situation, and not the Director-General and the Secretariat.

Programme and budgets, 1998-1999 (item 6)

3. The delegation of **Japan** said that, in connection with the UNIDO Office at Geneva, it recognized that improvements had been made in 1998 in terms of better communication between UNIDO Headquarters and that Office. The delegation understood that a new representative would be appointed and that efforts would continue to further improve the Office's function. That delegation said that it did not oppose recommending the necessary adjustment for the Office to the Industrial Development Board under the condition that the delegation would be apprised at the next session of the Board of the efforts made and of a future plan of action for the Office.

4. With regard to the G-77 Chapter in Vienna, the delegation took note of the detailed information provided by the Secretariat. While the delegation acknowledged the utility of such an office in helping Member States to participate more actively in UNIDO discussions, that delegation nevertheless felt that UNIDO should not be expected to provide the same scale of financial support as the much larger organizations in Geneva and New York. The delegation also questioned the timing of the opening of the Vienna G-77 office when UNIDO was going through a severe reform process; its launching might now give the impression that there were further areas where savings and cuts could be made. The delegation would therefore not support the recommendation to adjust the programme and budgets, 1998-1999, at the present stage.

5. The delegation said that it would like to record its hope that the possibility of funding the Vienna G-77 office through voluntary contributions be sought and would like to urge the Director-General to conclude an arrangement with other international organizations in Vienna for sharing the financial burden. The delegation of Japan looked forward to hearing a report on the progress made in concluding such an agreement as well as a report on the future activities of the G-77 Chapter in Vienna at the next session of the Board.

6. The delegation of **Germany** said that it was its understanding that the supplementary estimates to be submitted to the next session of the General Conference would not be included in the basis for the preparation of the next programme and budgets for the biennium 2000-2001.

Annex II

DOCUMENTS SUBMITTED TO THE FOURTEENTH SESSION

Symbol	*Agenda item*	*Title*
PBC.14/1	3	Provisional agenda
PBC.14/1/Add.1	3	Annotated provisional agenda
PBC.14/2-IDB.20/4	9	Industrial Development Fund and other voluntary contributions. Report by the Director-General
PBC.14/3-IDB.20/3	4	Report of the External Auditor on the accounts of the United Nations Industrial Development Organization and of the Industrial Development Fund for the fiscal period 1996-1997 ended 31 December 1997
PBC.14/4-IDB.20/5	4	Financial performance report for the biennium 1996-1997. Submitted by the Director-General
PBC.14/5-IDB.20/6	4, 7	Note on audit-related matters. Submitted by the Secretariat
PBC.14/6-IDB.20/7	6	Programme and budgets, 1998-1999. Proposed adjustments to the programme and budgets. Submitted by the Director-General
PBC.14/7-IDB.20/8	5	Financial situation of UNIDO. Report by the Director-General
PBC.14/8-IDB.20/9	8	Preview of the medium-term programme framework, 2000-2003, and preliminary indicative general ceiling for the programme and budgets, 2000-2001. Proposals of the Director-General
PBC.14/9-IDB.20/10	4	Comments of the Director-General on the Report of the External Auditor
PBC.14/10-IDB.19/10	4	Annual Report of UNIDO, 1997
PBC.14/10/Add.1-IDB.19/10/Add.1	4	Annual Report of UNIDO, 1997. Programme performance report. Operational statistics and other appendices
PBC.14/10/Add.2-IDB.19/10/Add.2	4	Annual Report of UNIDO, 1997. Programme performance report. List of technical cooperation projects
PBC.14/11-IDB.20/11	5	Financial situation of UNIDO. 1992-1993 unutilized balances. Report by the Director-General
		* * * * *
PBC.14/CRP.1	7	Financial Regulations of UNIDO. Note by the Secretariat
PBC.14/CRP.2	4	Common Auditing Standards of the Panel of External Auditors of the United Nations, the Specialized Agencies and the International Atomic Energy Agency. Note by the Secretariat
PBC.14/CRP.3	9	Lists of projects approved under the Industrial Development Fund in 1997. Prepared by the Secretariat
PBC.14/CRP.4	5	Financial situation of UNIDO. Note by the Secretariat
PBC.14/CRP.5	3	List of documents
PBC.14/CRP.6	-	List of participants